

**RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE**

Resolution No. 22-16

Charter of the Audit and Finance Committee

RESOLVED:

Pursuant to 39 C.F.R. § 5.1, the Board of Governors (Board) of the United States Postal Service (Postal Service) have established a standing committee, the Audit and Finance Committee (Committee). The Postal Accountability and Enhancement Act of 2006 provides that the Board "shall direct and control the expenditures and review the practices and policies of the Postal Service." The Committee provides assistance to the Board in fulfilling its responsibility relating to the following:

- the integrity of the Postal Service's financial statements;
- the accounting, audit, and financial reporting processes;
- the systems of internal accounting and financial controls;
- the Inspector General's audit function;
- the Sarbanes-Oxley Act of 2002 (SOX) Program Management Office function;
- compliance with legal and regulatory requirements;
- reports resulting from the performance of audits by the independent auditor and the Office of Inspector General;
- the independent auditor's qualifications and independence;
- the annual independent audit of the Postal Service's financial statements;
- and
- the management of risks, their related controls, and the overall control environment.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. Correspondingly, management is responsible for establishing and maintaining the systems of internal accounting and financial controls, and the accounting policies and procedures in accordance with generally accepted accounting principles and other applicable reporting and disclosure standards and for preparing the Postal Service's financial statements, while the independent auditor is responsible for auditing the annual financial statement and reviewing the interim financial statements.

The independent certified public accounting firm is ultimately accountable to the Governors and the Committee and it is the Board's policy that the independent certified public accounting firm responsible for the audit of Postal Service financial statements not perform other services for the Postal Service, unless it would not impair the auditors' independence and would be beneficial to have a specific task performed and the Committee gives written approval of the assignment of the task prior to it being undertaken. Any such approvals will be disclosed in the Postal Service's Annual Report. Any violations of this policy must be brought to the attention of the Committee and the Chief Financial Officer as soon as the violation is discovered.

MEMBERSHIP AND AUTHORITY

The Board Chairman shall appoint the Chairman, Vice Chairman (if applicable), and the members of the Committee and may change the membership of the Committee at any time in accordance with 39 C.F.R. §§ 4.1(a)(3) and 5.1.

When the Committee is addressing an issue reserved to the Governors (e.g., select an independent, certified public accounting firm to certify the accuracy of Postal Service financial statements), only the Presidentially-appointed Governors may vote on the issue.

So long as a quorum of the Board of Governors exist, the Committee shall be comprised of at least three Board Members, with at least two of the three Board Members being independent of management and the Postal Service. Members of the Committee will be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Postal Service. To the extent the Board deems it appropriate, the independence of members of the Committee who are Governors appointed by the President shall also be assessed using the standards for independence regarding audit committee membership set forth in the rules of the New York Stock Exchange and the Securities Exchange Act of 1934, as amended. All Committee members shall be financially literate, as determined by the Board. If possible, at least one member of the Committee shall be a person whom the Board has determined is an "audit committee financial expert," as the term is defined under Securities and Exchange Commission (SEC) rules, unless the Board determines otherwise.

The Committee shall report regularly to the Board with respect to the Committee's activities and recommendations. The report to the Board may take the form of an oral or written report by the Chairperson or any other designated member of the Committee.

The Committee assists the Board and reports to the Board but is not empowered to act on behalf of the Board without an explicit delegation of authority from the Board to act on its behalf.

The Committee, in discharging its role, is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel

of the Postal Service and may retain outside counsel or other experts for this purpose as it deems appropriate.

The Committee shall meet at least once every fiscal quarter, with further meetings to occur when deemed necessary or advisable by the Committee or its Chairperson. In addition, the Committee shall meet periodically in executive session without management to discuss appropriate matters separately with the General Counsel, the independent certified public accounting firm, and the Inspector General, and others, as needed.

For meetings of the Committee, members may attend in person, if possible, or by conference telephone, video conference, or similar communications equipment which enables all persons participating in the meeting to hear each other.

Furthermore, nothing in this charter shall be construed inconsistent with the Postal Accountability and Enhancement Act of 2006, the Postal Service Reform Act of 2022, or as circumscribing the Inspector General's authority under the Inspector General Act, 5 U.S.C. Appendix, section 1 et. Seq., or is intended to restrict the Inspector General's authority to conduct, supervise, and coordinate audits and investigations relating to programs and operations of the Postal Service.

COMMITTEE RESPONSIBILITIES

Along with such other matters as the Committee finds appropriate to pursue in the performance of its functions, the Committee shall:

Internal and External Auditors

- Oversee the work of the independent certified public accounting firm (including resolution of any disagreements between management and the independent auditor regarding financial reporting) and shall make recommendations to the Governors regarding selection, retention, and termination of the independent certified public accounting firm.
- Quarterly, review and discuss the adequacy and effectiveness of the Postal Service's internal control over financial reporting, including any significant deficiencies and/or material weaknesses in internal control over financial reporting and significant changes in such control reported to the Committee.
- Quarterly, review and discuss the scope and results of the annual audit plan and significant findings from current audit projects in order to assure adequate mitigation of key risks by assessing risks and developing appropriate annual plans to audit.
- Quarterly, discuss the results of the interim financial statement review and any other matters required to be communicated to the Committee by the independent certified public accountants and the Inspector General's office under generally accepted auditing standards.

- Quarterly, discuss any difficulties the independent certified public accounting firm encountered in the course of the audit, including any restrictions on their activities or access to requested information and any significant disagreements with management, and management's response thereto, including management's timetable and corrective action plans.
- Quarterly, review and discuss all related-party transactions required to be disclosed according to SEC Regulation S-K, Item 404, and discuss with management the business rationale for the transactions and whether appropriate disclosures have been made.
- Annually, discuss the results of the annual audit by the independent certified public accountants.
- Annually, review and evaluate the work of the independent certified public accounting firm.
- Annually, discuss and assess the independent certified public accountants' independence from management and the Postal Service, and review matters included in the annual written disclosures required by professional standards.
- Annually, or at any other time expenditures are expected to change significantly from external auditor expenditure rates in the previous year, review expenditures for the work performed by the audit firm.
- Annually, discuss with the independent certified public accountants the overall scope and plans for their audits, including the adequacy of staffing and budget.
- Annually, discuss with management, the independent certified public accountants, and the Inspector General's office the propriety of accounting treatments applied and the adequacy and effectiveness of the accounting and financial controls.
- Set clear hiring policies for employees or former employees of the independent auditor as required by professional standards.

Financial Filings and Press Releases

- Quarterly, review and discuss with management, the Inspector General's Office, and the independent certified public accountants, the quarterly financial statements and reports on Form 10-Q submitted to the Postal Regulatory Commission, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- Quarterly, discuss the Postal Service's earnings press release.

- Annually, review and discuss with management, the Inspector General's Office, and the independent certified public accountants, the annual audited financial statements and reports on Form 10-K submitted to the Postal Regulatory Commission, including their judgment about the quality and propriety of accounting principles applied, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Office of Inspector General Activities

- Quarterly, receive a briefing by the Inspector General's office on ongoing projects, audit and investigation activities, and related observations and recommendations.
- Annually, discuss with the Inspector General's office the overall scope and plans for their audits, including the adequacy of staffing and budget.
- Annually, discuss with management and the Inspector General's office the propriety of the Postal Service's system to monitor and manage business risk, and legal and ethical compliance programs.
- Annually, review the performance of the Inspector General's audit function.

Financial Matters

- Quarterly, review financial performance, including financial condition, capital structure of the Postal Service, capital expenditure projects, liquidity and cash management, and other financial matters that management desires to be reviewed by the Committee.
- Quarterly, and as needed, review and make recommendations on significant financial matters, including use of the authority of the Postal Service to borrow money and the terms and conditions of each series of obligations issued by the Postal Service under 39 U.S.C. 2005 and 39 U.S.C. 2011.
- Periodically, but at least annually, in connection with its funding obligations with respect to its employee benefits plans, receive information regarding the financial performance of assets of employee benefit plans.
- Annually, be briefed on the integrated financial plan for the upcoming year and receive periodic updates on performance compared to the plan throughout the year.
- Oversee significant financial relationships with the Treasury Department and other governmental entities, or with non-governmental entities as may be necessary, and shall review and make recommendations on the use of authority

of the Postal Service to require the Secretary of the Treasury to purchase Postal Service obligations under 39 U.S.C. 2006(b).

- Oversee the Postal Service's implementation of any pre-approval authority relating to negotiated service agreements (NSAs), including but not limited to Governors' Decision 19-1 or any successor decisions.

Risk Management, IT, and Policies

- Twice annually, review management's process with respect to enterprise risk assessment and risk management, including guidelines and policies to govern the process, as well as the Postal Service's major financial risk exposures and the steps management has undertaken to control them. This review will include enterprise risk mapping and the activities related to enterprise risk management. This review will also include management's processes for (1) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, (2) employees' confidential, anonymous submission of concerns regarding accounting or auditing matters (3) complaints by customers, and (4) complaints by employees. The Inspector General and management shall inform the Committee promptly of any complaints relative to significant or sensitive accounting, auditing, or internal controls matters.
- Periodically, but at least twice annually, review and oversee risk management policies and procedures in general and, in particular, with respect to cybersecurity, IT, and data protection and compliance with applicable laws and rules concerning privacy. As such, the Committee shall be briefed by the Chief Information Officer on all measures being taken to ensure the integrity and security of the Postal Service's technological infrastructure and applications, and the effectiveness of such measures during the prior period. The briefing should comprise a report on the annual information security assessment and any broader risks impacting the IT environment at the Postal Service, including a discussion of potential cybersecurity threats, management's plans to counter such threats, and any remediation plans to be implemented in the event of a successful attack.
- Additionally, management shall promptly notify the Committee of any attempt to compromise or otherwise threaten the integrity of the Postal Service's technological infrastructure enough to notify Homeland Security, as well as any breach having the potential for catastrophic impact to employees, customers, financial statements, the business, and/or the technological infrastructure.
- Annually, review, and, as appropriate, recommend to the Board the adoption of, or the revision of, the accounting and auditing related portions of the Postal Service's Senior Financial Managers' Code of Ethics, and the Committee shall oversee management's system to monitor compliance with, and enforcement of, the code of ethics.

Postal Regulatory Commission

Annually, consider and advise the Board of Governors of potential adjustment of the funding requested in the Postal Regulatory Commission's budget for the succeeding fiscal year as required. Review and advisement shall be completed in such time to give the Governors adequate opportunity to review and discuss the matter, prior to the deadline for submitting a written decision within 30 days after receiving the budget.


GENERAL

- Annually review and assess the relevance of this charter and recommend any proposed changes to the Board.
- Annually, discuss with the independent auditor the accountants' observations related to the effectiveness of the Committee.
- Report regularly to the Board on matters within the scope of the Committee and special issues that may merit attention of the Board.
- Perform other duties required by law or otherwise necessary for effective guidance of the Postal Service's audit and finance functions, or as the Board may from time to time direct.

While the Committee has the responsibilities and powers as set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Postal Service's financial statements and disclosures are complete, accurate, and in accordance with generally accepted accounting principles and applicable rules and regulations. Management is responsible for preparing the financial statements, and the independent auditor is responsible for auditing and reviewing those financial statements. Management is responsible for preparing the Postal Service's periodic financial reports as well as all earnings releases. The Committee is responsible for assisting the Board in overseeing the conduct of these activities by management and the independent auditor. The Committee, in performing its functions, shall be entitled to rely upon the representations of management and the independent auditor as to factual matters communicated orally to the Committee or contained in any document prepared by management and/or the independent auditor.

This Resolution supersedes Resolution 21-39, adopted November 09, 2021, and rescinds all previous Resolutions of the Board to the extent that such Resolutions are inconsistent with this Resolution.

The foregoing Resolution was adopted by the Board of Governors on November 9, 2022.


Michael J. Elston
Secretary of the Board of Governors